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**SIA
FLAMES GROUP**

Annual Report

for 2011

Contents

Name of the company	SIA Flames group	
Legal status	Joint-Stock Company	
Number, place and date of registration	40103248297, Riga, 26 September 2009	
Legal address	Tr. Bērnu iela 58, Rīga, LV-1001	
Postal address	Tr. Bērnu iela 58, Rīga, LV-1001	
Head	Stasislavs Belogerovs	
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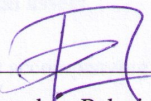
Information on the Company

Name of the company	<i>SIA Flames group</i>
Legal status	<i>Limited Liability Company</i>
Number, place and date of registration	<i>40103248897, Riga, 16 September 2009</i>
Legal address	<i>Kr. Barona iela 88, Rīga, LV-1001</i>
Postal address	<i>Kr. Barona iela 88, Rīga, LV-1001</i>
Head	<i>Svjatoslavs Belozjerovs</i>
Members of the Board and their positions	<i>Svjatoslavs Belozjerovs, Chairman of the Board</i>
Reporting year	<i>01.01.2011 – 31.12.2011</i>
Auditors	<i>KPMG Baltics SIA Vesetas iela 7 Riga, LV-1013 License No 55</i>

Profit and Loss Statement for 2011

	Note	2011 LVL	2010 unaudited (restated) LVL
Net sales	2	1 182 731	1 473 201
Cost of goods sold	3	(1 145 584)	(1 498 841)
Gross profit / (loss)		37 147	(25 640)
Selling expenses	4	(17 407)	-
Administrative expenses	5	(8 247)	(7 549)
Other operating income	6	3 591	53 276
Other operating expenses	7	(14 088)	(9 744)
Profit before tax		996	10 343
Corporate income tax for the reporting year	8	(2 182)	(131)
Deferred tax	18	(2 912)	-
Current year's profit / (loss)		(4 098)	10 212

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.



 Svjatoslavs Belozjerovs
 Chairman of the Board

23 October 2012

Balance Sheet as at 31 December 2011

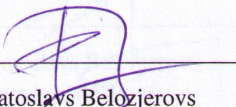
Assets		2011	2010
	Note	LVL	(restated) LVL
Long term investments			
Intangible assets			
Other intangible assets	14	18 972	-
Total intangible assets	9	<u>18 972</u>	-
Property, plant and equipment			
Other fixed assets		687	-
Total fixed assets	10	<u>687</u>	-
Total long term investments		<u>19 659</u>	-
Current assets			
Inventories			
Prepayments for goods		1 252	-
Total stock		<u>1 252</u>	-
Receivables			
Trade receivables	11	42 338	204 014
Other receivables	12	1 507	287
Accrued income		57 709	59 995
Total receivables		<u>101 554</u>	<u>264 296</u>
Cash	13	<u>35 768</u>	<u>23 003</u>
Total current assets		<u>138 574</u>	<u>287 299</u>
Total assets		<u>158 233</u>	<u>287 299</u>

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

Balance Sheet as at 31 December 2011

Liabilities		2011 LVL	2010 unaudited (restated) LVL
	Note		
Shareholders' equity			
Share capital	14	2 000	2 000
Retained earnings:	15		
retained earnings carried forward from previous years		(4 377)	(14 589)
profit of the reporting period		(4 098)	10 212
	Total equity	(6 475)	(2 377)
Long term liabilities			
Other long term liabilities	18	2 912	-
	Total long term liabilities	2 912	-
Short term liabilities			
Accounts payable to suppliers and contractors	16	97 633	250 755
Taxes and social contributions	17	3 559	178
Other liabilities	19	133	166
Accrued liabilities	20	60 471	38 577
	Total short term liabilities	161 796	289 676
	Total liabilities	164 708	289 676
Total liabilities		158 233	287 299

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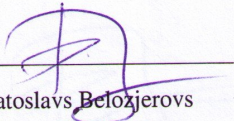

Svjatoslavs Belozjerovs
Chairman of the Board

23 October 2012

Statement of Cash Flow for 2011

	Note	2011 LVL	2010 unaudited (restated) LVL
Cash flows from operating activities			
1. Profit or loss before taxes		996	10 343
Adjustments for:			
depreciation;		3 485	-
2. Profit or loss before adjustments for the effect of changes to current assets and short term liabilities		4 481	10 343
Adjustments for:			
(increase)/decrease of receivables;		162 742	(216 926)
(increase)/decrease of stock;		(1 252)	20 230
increase/(decrease) of accounts payable to suppliers, contractors and other creditors		(130 062)	206 887
Net cash flows from operating activities		35 909	20 534
Cash flows from investing activities			
Purchase of fixed and intangible assets		(23 144)	-
Net cash flows from investing activities		(23 144)	-
Net increase in cash and cash equivalents		12 765	20 534
Cash and cash equivalents at the beginning of the period		23 003	2 469
Cash and cash equivalents at the end of the period	13	35 768	23 003

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.


Svjatoslavs Belozjjerovs
Chairman of the Board

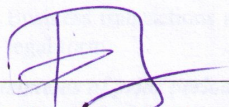
23 October 2012

Statement of Changes to the Shareholders Equity for 2011

	Note	Share capital LVL	Retained earnings/(accu- mulated loss) carried forward from previous years LVL	Retained earnings / (uncovered loss) of the reporting year LVL	Total equity LVL
31.12.2009. (unaudited)		<u>2 000</u>	<u>-</u>	<u>(14 589)</u>	<u>(12 589)</u>
Loss of 2009 transferred to retained earnings of previous years		-	(14 589)	14 589	-
Profit of the reporting year (restated)*		-	-	10 212	10 212
31.12.2010. (unaudited)		<u>2 000</u>	<u>(14 589)</u>	<u>10 212</u>	<u>(2 377)</u>
Profit of 2010 transferred to accumulated loss of previous years	15	-	10 212	(10 212)	-
Uncovered loss for the year		-	-	(4 098)	(4 098)
31.12.2011.		<u>2 000</u>	<u>(4 377)</u>	<u>(4 098)</u>	<u>(6 475)</u>

The accompanying notes on pages 10 to 20 form an integral part of these financial statements.

* Previously reported loss of LVL 4 880 and shareholder's equity as at 31 December 2010 was negative and amounted to LVL 17 469. As a result of changes profit has increased by LVL 15 092 (Note 1).


Svjatoslavs Belozjеровs
Chairman of the Board

23 October 2012

Notes to the Financial Statements

(1) Summary of significant accounting principles

Information on the Company's activities

The primary activities of SIA Flames group is provision of telecommunication services.

Basis of preparation

The financial statements have been prepared in accordance with the law "On Accounting" and the "Annual Reports Law".

The profit and loss statement was prepared according to the turnover costing method. The cash flow statement was prepared according to the indirect method. The financial statements are prepared on the historical cost basis.

Accounting principles

The financial statements were prepared in accordance with the following policies:

- a) Going concern assumption that the Company will continue as a going concern
- b) Consistent valuation principles with those used in the prior year.
- c) Items were valued in accordance with the principle of prudence:
 - the financial statements reflect only the profit generated to the date of the balance sheet;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the financial statements; and,
 - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period.
- e) Assets and liabilities have been valued separately.
- f) The opening balance agrees with the prior year closing balance, except for the adjustment in comparables as described in *Adjustments of prior periods* and *Reclassifications*.
- g) All material items, which would influence the decision-making process of users of the financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes.
- h) Business transactions are recorded taking into account their economic contents and substance, not the legal form.

Adjustments of prior periods

As a result of a cut-off adjustment of income, accrued income of LVL 59 995 was recognized as at 31 December 2010 and turnover of 2010 was increased by LVL 59 995.

As a result of the cut-off adjustment of income, accrued liabilities of LVL 38 577 were recognized as at 31 December 2010 and cost of sales of 2010 was increased by LVL 38 577.

Doubtful debt allowances were recognized in the amount of LVL 4 479.

Currency gap of liabilities was adjusted by LVL 1 685 and currency gap in the other liabilities was adjusted by LVL 31.

Therefore the result of the reporting period 1 January 2010 to 31 December 2010 was a profit of LVL 10 212.

As a result of changes the following items of the Balance Sheet were adjusted as at 31 December 2010 and items of the Profit or Loss Statement for the period as of 1 January 2010 to 31 December 2010 (unaudited data).

Notes to the Financial Statements

(1) Summary of significant accounting principles

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As a result of changes the following items of the Balance Sheet were adjusted as at 31 December 2010 and items of the Profit or Loss Statement for the period as of 1 January 2010 to 31 December 2010 (unaudited data).

Notes to the Financial Statements

	31.12.2010. Carrying amount (as previously reported)	Adjustment	31.12.2010. Carrying amount (adjusted)
	LVL	LVL	LVL
Accrued income	-	59 995	59 995
Receivables	208 493	(4 479)	204 014
Assets	208 943	55 516	264 009

	31.12.2010. Carrying amount (as previously reported)	Adjustment	31.12.2010. Carrying amount (adjusted)
	LVL	LVL	LVL
Shareholders' equity	(17 469)	15 092	(2 377)
Liabilities	249 070	1 685	250 755
Other liabilities	135	31	166
Taxes and social contributions	47	131	178
Accrued liabilities	-	38 577	38 577
Liabilities	231 783	55 516	287 299

	01.09.2010 - 31.12.2010 (as previously reported)	Adjustment	01.09.2010- 31.12.2010 (adjusted)
	LVL	LVL	LVL
Net sales	1 413 206	59 995	1 473 201
Cost of goods sold	(1 460 264)	(38 577)	(1 498 841)
Other operating expenses	(3 549)	(6 195)	(9 744)
Corporate income tax	-	(131)	(131)
Profit for the year	(4 880)	(15 092)	10 212

Related parties

Related parties represent both legal entities and private individuals related to the company in accordance with the following rules.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to the Financial Statements

Related party transaction - A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Financial instruments and financial risks

Financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity securities of the other party.

The key financial instruments held by the Company are financial assets such as trade receivables and other receivables and financial liabilities, accounts payable to suppliers and contractors and other creditors arising directly from its business activities.

Financial risks connected with the Company's financial instruments, financial risk management

Key financial risks related to the Company's financial instruments are:

- Currency risk – risk that the Company may suffer unexpected losses arising from fluctuations in the foreign exchange rates;
The currency risk arises from sales, purchases and other monetary assets and liabilities denominated in USD.
- Liquidity risk – risk that the Company will not be able to meet its financial liabilities in due time.

Management has implemented the following procedures to control key (or significant) risks.

Currency risk

For the purposes of currency risk management, the Company's management performs regular oversight to ensure that the currency structure of assets and liabilities is matched.

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If according to management, the fair value of an asset or liability is significantly different from the book value, fair value disclosures are made in the notes to the financial statements.

Changes in the fair value of financial instruments are reflected in the profit and loss statement except for the following cases:

- the financial instrument is used in a hedge relationship and the Company's hedge accounting policy foresees that all (or part of) changes to the value of the instrument are not charged to the profit and loss statement;
- changes to the value of the instrument depend on changes in market rates applicable to the Company's long-term investments in foreign operations.

In both cases above, changes in the fair value of the financial instrument are reflected in the balance sheet item Financial instrument revaluation reserve.

Reporting period

The reporting period is the 12 months from 1 January 2011 to 31 December 2011.

Currency unit and revaluation of foreign currency

All amounts in these financial statements are expressed in the Latvian national currency – lats (LVL).

Foreign currency transactions are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the transaction date.

Notes to the Financial Statements

All monetary asset and liability items were revalued to lats according to the exchange rate of the Bank of Latvia on the last day of the reporting year. Non-monetary items of assets and liabilities, and foreign exchange transactions are revalued to lats in accordance with the exchange rate set by the Bank of Latvia on the transaction date.

	31.12.2011.	31.12.2010.
EUR	0.7028	0.7028
USD	0.5440	0.5350

Profit or loss arising from the fluctuations in the exchange rate on assets and liabilities denominated in a foreign currency are recognized in the profit and loss statement in the respective period in which the fluctuation occurs.

Estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.

Key sources of estimation uncertainty are the following:

(i) Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(ii) Useful lives of fixed and intangible assets

Management estimates the useful lives of fixed and intangible assets in proportion to the expected duration of use of the asset (its expected capacity or effectiveness) based on historical experience with similar fixed assets and future plans. According to management estimates, the useful lives of certain fixed and intangible assets are the following:

Intangible assets:

Other intangible assets 5 years

Property, plant and equipment:

Other fixed assets 3 years

(iii) Valuation of receivables

A number of significant risks and uncertainties are inherent to the process of monitoring financial assets and estimating impairment. These risks and uncertainties include the risk the Company's assessment of the clients' ability to meet all their liabilities will change according to changes in the clients' credit ratio and the risk that the economic situation will deteriorate beyond expected.

Receivables are valued according to the principle of prudence and recognized at net amount due less allowances for doubtful loans and trade receivables.

Doubtful debt allowances are recognized based on an individual management assessment of the recoverability of each receivable.

(vi) Deferred tax asset

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax amounts are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements**(2) Net sales**

Net sales represents revenue generated during the reporting period from the Company's basic activities – sales of services, net of value added tax and discounts.

Line of business	2011 LVL	2010 unaudited (restated) LVL
Telecommunication services	1 182 731	1 473 201
	<u>1 182 731</u>	<u>1 473 201</u>

Net sales by geographic markets:

	2011 LVL	2010 unaudited (restated) LVL
EU countries	674 157	692 404
Third countries	508 574	780 797
	<u>1 182 731</u>	<u>1 473 201</u>

(3) Cost of goods sold

Cost of goods sold represents costs incurred for generating net sales – such as costs of services recognized at acquisition cost, and costs related to purchase of services.

	2011 LVL	2010 unaudited (restated) LVL
Costs related to services	1 145 584	1 498 841
	<u>1 145 584</u>	<u>1 498 841</u>

(4) Selling expenses

	2011 LVL	2010 unaudited LVL
Advertisement and representation expenses	17 407	-
	<u>17 407</u>	<u>-</u>

Notes to the Financial Statements**(2) Net sales**

Net sales represents revenue generated during the reporting period from the Company's basic activities – sales of services, net of value added tax and discounts.

Line of business	2011 LVL	2010 unaudited (restated) LVL
Telecommunication services	1 182 731	1 473 201
	<u>1 182 731</u>	<u>1 473 201</u>

Net sales by geographic markets:

	2011 LVL	2010 unaudited (restated) LVL
EU countries	674 157	692 404
Third countries	508 574	780 797
	<u>1 182 731</u>	<u>1 473 201</u>

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Cost of goods sold represents costs incurred for generating net sales – such as costs of services recognized at acquisition cost, and costs related to purchase of services.

	2011 LVL	2010 unaudited (restated) LVL
Costs related to services	1 145 584	1 498 841
	<u>1 145 584</u>	<u>1 498 841</u>

(4) Selling expenses

	2011 LVL	2010 unaudited LVL
Advertisement and representation expenses	17 407	-
	<u>17 407</u>	<u>-</u>

Notes to the Financial Statements**(5) Administrative expenses**

	2011	2010
	LVL	unaudited
		LVL
Personnel costs	2 400	2 200
Compulsory state social security contributions	581	532
Rent of premises	1 463	2 226
Other expenses	3 803	2 591
	<u>8 247</u>	<u>7 549</u>

(6) Other operating income

	2011	2010
	LVL	unaudited
		(restated)
		LVL
Profit from currency exchange fluctuations	2 701	9 462
Other income	884	43 782
Proceeds from currency translation	6	32
	<u>3 591</u>	<u>53 286</u>

In 2010 the Company recognized additional income as a result of detailed reconciliation of balances with suppliers and clients.

(7) Other operating expenses

	2011	2010
	LVL	unaudited
		(restated)
		LVL
Expenses on currency translation	536	4 839
Depreciation	137	-
Amortization of intangible investments	3 348	-
Doubtful debt allowance	7 326	4 479
Other expenses	2 741	426
	<u>14 088</u>	<u>9 744</u>

(8) Corporate income tax for the reporting year

	2011	2010
	LVL	unaudited
		(restated)
		LVL
Current tax in line with the declaration	2 182	131
	<u>2 182</u>	<u>131</u>

Notes to the Financial Statements**(9) Intangible assets**

	2011 LVL	Other intangible assets LVL
Historical cost		
31.12.2010 (unaudited)	-	-
Additions	22 320	22 320
31.12.2011.	<u>22 320</u>	<u>22 320</u>
Accumulated depreciation		
31.12.2010 (unaudited)	-	-
Depreciation	3 348	3 348
31.12.2011.	<u>3 348</u>	<u>3 348</u>
Balance as at 31.12.2010 (unaudited)	-	-
Balance as at 31.12.2011	<u>18 972</u>	<u>18 972</u>

(10) Fixed assets

	2011 LVL	2010 unaudited LVL
Historical cost		
31.12.2010 (unaudited)	-	-
Additions	824	824
31.12.2011.	<u>824</u>	<u>824</u>
Accumulated depreciation		
31.12.2010 (unaudited)	-	-
Depreciation	137	137
31.12.2011.	<u>137</u>	<u>137</u>
Balance as at 31.12.2010 (unaudited)	-	-
Balance as at 31.12.2011	<u>687</u>	<u>687</u>

(11) Trade receivables

	2011 LVL	2010 unaudited (restated) LVL
Trade receivables, gross value	54 143	208 493
Allowance for doubtful debts	(11 805)	(4 479)
	<u>42 338</u>	<u>204 014</u>

Notes to the Financial Statements**(12) Other receivables**

	2011 unaudited LVL	2010 unaudited LVL
Overpaid taxes	104	287
Other receivables	1 403	-
	<u>1 507</u>	<u>287</u>

(13) Cash**By currency:**

	2011		2010 unaudited	
	Currency	LVL	Currency	LVL
Current account	LVL	-	-	8
Current account	USD	61 961	41 456	22 179
Current account	EUR	2 922	1 162	816
		<u>35 768</u>		<u>23 003</u>

(14) Share capital

Share capital of the Company as at 31 December 2011 is LVL 2,000 and it is divided into 200 shares with the nominal value of LVL 10.

(15) Retained earnings

According to Shareholders' Meeting decision losses of 2011 in the amount of LVL 4 098 will be covered with future profits.

(16) Accounts payable to suppliers and contractors

	2011 LVL	2010 unaudited (restated) LVL
Accounts payable to suppliers and contractors	97 633	250 755
	<u>97 633</u>	<u>250 755</u>

Notes to the Financial Statements**(17) Taxes and social contributions**

Type of tax	Balance unaudited (restated) 31.12.2010. LVL	Calculated in 2011 LVL	Paid in 2011 LVL	Reclassificati on from/to other taxes In 2011 LVL	Balance at 31.12.2011 LVL
Corporate income tax	131	2 182	-	-	2 313
Withholding tax	-	1 171	-	-	1 171
Value added tax	(236)	(778)	815	95	(104)
Social contributions	(51)	843	(672)	(45)	75
Personal income tax	47	541	(538)	(50)	-
	(109)	3 959	(395)	-	3 455
Including:					
Overpaid taxes	(287)				(104)
Tax liabilities	178				3 559

Overpaid taxes are disclosed under other receivables.

(18) Deferred tax liabilities

Deferred tax relates to the following temporary differences:

	2011		2010	
	LVL		LVL	
	assets	liabilities	assets	liabilities
Depreciation	-	2 912	-	-
Allowance for doubtful debts	11 804	-	4 478	-
(Unrecognized deferred tax asset)	(11 804)	-	(4 478)	-
Net deferred tax liability	-	2 912	-	-

	2011	2010
	LVL	unaudited
		LVL
Deferred tax liabilities, beginning of the period	-	-
Changes in deferred tax recognized in the income statement	2 912	-
Deferred tax liabilities, end of the period	2 912	-

(19) Other liabilities

	2011	2010
	LVL	unaudited
		(restated)
		LVL
Remuneration	133	166
	133	166

Notes to the Financial Statements**(20) Accrued liabilities**

	2011 LVL	2010 unaudited LVL
Accrued liabilities for non-received invoices	60 471	38 577
	<u>60 471</u>	<u>38 577</u>

(21) Number of employees

	2011	2010 unaudited
Average number of employees in the reporting year	<u>1</u>	<u>1</u>

(22) Personnel costs

Type of costs	2011 LVL	2010 unaudited LVL
Remuneration	2 400	2 200
Compulsory state social security contributions	581	532
	<u>2 981</u>	<u>2 732</u>

(23) Information on remuneration to sworn auditors

Administrative expenses include a fee paid to the commercial company of sworn auditors for the audit of the financial statements. During the reporting period, the Company did not receive any other services from the auditor. Information on contingent liabilities and pledged assets

(24) Subsequent events

No significant subsequent events have occurred since the last day of the reporting period that would materially impact the Company's financial position for the year ended 31 December 2011.

(25) Going concern

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses of LVL 4 098 from operating activities in the reporting year and as at 31 December 2011 has a working capital deficiency of LVL 23 222. The Company's ability to continue as a going concern depends on the financial support from the shareholders and business development. As at the date of these financial statements, the Company has received a confirmation from the owner on the required financial support for ensuring compliance with the going concern principle. The Company has positive cash flow in the amount of LVL 35 909. Management believes that the Company will be able to continue as a going concern.



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Independent Auditors' Report

To the shareholder of SIA Flames Group

Report on the Financial Statements

We have audited the accompanying financial statements of SIA Flames Group ("the Company"), which comprise the balance sheet as at 31 December 2011, and the profit and loss statement, statements of changes in shareholder' equity and cash flows for the ten month period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 20.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the *Annual Reports Law*, applicable in the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SIA Flames Group as at 31 December 2011, and of its financial performance and its cash flows for the ten month period then ended in accordance with the *Annual Reports Law*, applicable in the Republic of Latvia.

Other matters

The respective prior year information prior to corrections is based on the Company's financial statements for the period ended 31 December 2010, which was not audited.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on page 4, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. In our opinion, the management report is consistent with the financial statements.

KPMG Baltics SIA
License No 55

Armine Movsisjana
Sworn Auditor
Certificate No 178
Riga, Latvia
23 October 2012

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.